

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

**SME COMPETITIVENES: INTERNATIONALIZATION STRATEGY:  
QUIDGEST INTERNATIONALIZATION STRATEGIC PLAN TO BRAZIL**

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## Quidgest Internationalization Strategic Plan to Brazil

### **Abstract**

An International Strategic Plan to Brazil is the subject of this work project. The author studies the prospect of the Portuguese company Quidgest increasing its international presence. Quidgest is a software consultant that develops Enterprise Resource Planning (ERP) systems. After an extensive analysis focused on Brazil's economy, business conjecture and its ERP market potential, the major conclusion drawn was the fact that the company should send its operations to Brazil, mainly to the state of *Minas Gerais*, and initiate a partnership with a consulting company already present in this country, in a Strategic Alliance arrangement.

**Key words:** Internationalization, ERP market, customization, strategic alliance, Brazil

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### **Executive summary**

The current work project presents an internationalization strategic plan of Quidgest, a software consultancy company, to Brazil. Quidgest competitive advantage is flexibility, quick time to market and product customization, special characteristic of the ERP sector where it operates. Nevertheless, the Portuguese market offers slight opportunities. The potential of the Brazilian ERP sector is vast and Brazil is economically expanding, factors that offer Quidgest a prospect to expand. Throughout the study of the foreign market it was concluded that Quidgest should start its entry in Brazil through the state of *Minas Gerais*. Strategic alliance with a local partner was the chosen entry mode as it was the most suitable one.

### **Methodology**

To execute this project, several essential steps took place. The personal interviews with the Senior Partner, Dr. João Paulo Carvalho, were fundamental to gather information, to receive crucial insights regarding the company background, the company business and future prospects, as to understand the market synergies. Parallel, some Q&A was also answered by email to clarify some doubts that emerged throughout the analysis. Additionally, research was conducted through internet based sources. The advised readings given by the Prof. Advisor Sonia Dahab were also an important theoretical tool to structure the work project. Lastly, punctual meetings with Prof. Filipe Castro Soeiro and weekly meetings with Prof. Advisor Sonia Dahab took place to seek advises and receive feedback.

### **Description of the firm**

Quidgest is a Portuguese software developer and business consultant company since 1988. With more than 200 different systems developed the company had a turnover of 2,91 million of Euros in 2011 (J. P. Carvalho, personal communication February 17,

2012). The company also won several awards, such as the Portuguese SME (Small and Medium Enterprise) prize of excellence 2009, 2010, 2011<sup>1</sup>; it is a Microsoft Gold Certified Partner; among others (Quidgest 2012). Within the IT sector where it operates, its targeted sector is the Enterprise Resource Planning (hence forward ERP), a business to business market. Despite existing since 1988, only in the late 90's they professionally entered the market and started to devote their time to projects. The first years were dedicated to R&D, which resulted in the creation of the Genio concept. Genio is a technology that generates automatically code to create software and to develop the ERP systems. With it, Quidgest grounds its positioning: offer tailored solutions to its clients. Quidgest has two different types of clients, private enterprises and public administration. The company developed products such as Balanced Scorecard, 1ERP and APTO for the first ones; and SINGAP for the last. Each represents 40% of the company's sales. Further, Quidgest is also oriented to foreign markets<sup>2</sup>. In 2011 the weight of exports was 20% of the business volume (J. P. Carvalho, personal communication February 17, 2012). This international experience allowed the company to achieve a learning curve, synergies that were taken into consideration in the design of this specific work project.

### **Business Mission and Strategic Objectives**

The company mission is to leave a mark and provide a positive contribution to every customer, partner and other stakeholders. It aims to be actively involved in the technological revolution of our time as well as to create an environment that encourages innovation and the professional realization of its employees. The company vision is to become a strong reference as a custom built software supplier by 2017, with a strong

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<sup>1</sup>Awarded by IAPMEI (*Instituto de Apoio às Pequenas e Médias Empresas e à Inovação*)

<sup>2</sup>Spain, United Kingdom, East Timor and Mozambique, and small partnerships: Angola, Germany, Lithuania, Norway, Switzerland, Brazil, Cape Verde and El Salvador.

orientation towards innovation (secondary appendix 7). Regarding strategic objectives, Quidgest strives towards regaining power and surpassing the economic recession, by recovering the previous growth of 2% per year (J. P. Carvalho, personal communication February 17, 2012). For that they are heading the company strategy to foreign markets and they intent to retain 75% of clients.

### **Market segmentation: industry mapping**

In this industry the working pace is fast as technology demands constant actualization. Due to this competitiveness it is very important to ensure correct strategic alliances. Quidgest has an on-line platform called *QuidNet* with its worldwide partners that share Genio. It is a networking channel to share knowledge and advantages regarding the technology. Partners can also support in international projects by giving physical assistance. Moreover, alliances with already prestigious brands can help leverage the company's image. Some partners can also be software suppliers, such as Microsoft. From the demand side clients are generally grouped according to their size and type of industry which dictates the scale of the product. For a representation see the appendix 1.

### **Competitive Analysis:**

External scanning: The industry portfolio consists in two types of products: the standard and customized ones. The standard form is the most frequently used, and is what the big players are focused on. The main international players are SAP, Oracle and Microsoft. In 2011 these companies had 24%, 18% and 11% of market share, respectively (Paronama Consulting Group 2011) (see appendix 2). When computing the Herfindalh-Hirschman Index<sup>3</sup> of the big three companies,  $HHI(3) = 0,1021^4$ , one can conclude that the market is not concentrated. On the other hand, the respective market share is 53%,

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<sup>3</sup> When the HHI result is less than 0,15 it means that the market is not concentrated.

<sup>4</sup>  $HHI(3) = 0,242 + 0,182 + 0,112 = 0,1021$

signaling a concentrated market. The reasoning behind it is the fact that the market is concentrated in a nucleus of big companies and spread around it with many SMEs.

The key success factors of this industry are: reliability (be sure ERP systems works); the fit between the product and the need, its usage and flexibility (possibility to change and adapt); simplicity (products with a small learning curve) and risk aversion: psychological barrier where the power of the brand values more. Concerning a market characterization, follows a brief analysis according to Porter's five forces model:

- The constant innovation required by the market increases its intensity, plus the fact that is unconcentrated (justified by the HHI) leads to **high internal rivalry**.

- Changing a company's ERP system represents **high switching costs for clients** because it obliges investing more capital in a new one. Standard products have the same functions among them and therefore can be substituted; however changing customized systems implies losing crucial information. As Quidgest works with customized products **threat of substitute products is moderate**.

- In this industry **economies of scale** are achievable for standard products, functioning as an **entry barrier**. Due to the fact that Quidgest offers the differentiation factor to each product, it cannot take advantage of economies of scale. Nevertheless, when one unit is produced, a break-even point is achieved and so it is always worthy for the company to produce just one model<sup>5</sup>. Other **structural barriers**<sup>6</sup> are **not high**. Yet, certain levels of reputation and brand recognition are important to have and are not always easy to achieve, representing **entry barriers**. To conclude, with an attractive market and moderate entry barriers, **threat of new entrants is high**.

- **Suppliers** are not many and they sell the software already as an end product, so there are no direct negotiations, therefore it can be said that their **bargaining power is low**.

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<sup>5</sup>Afterwards, when selling, they charge for a markup value to have profits.

<sup>6</sup>For example the initial investment required to enter in the industry (such as computers and skilled workers) and government licenses. Additionally, everything can be done on the internet, thus the distribution costs do not exist. In Europe it does not exist patents on software; however there are some licenses that companies are required to have, but that are not complicated to get

- The **clients** are too many and their variety is big. Therefore, the **bargaining power of consumers is considered to be low**.

Internal Scanning: Quidgest targets enterprises ranging from all sizes, types of industries and scale of the project. Its clients value technology, which implies having good quality systems installed. Therefore, it does not fit in the traditional market's segmentation (secondary appendix 8). In order to compare companies and place Quidgest among competitors, appendix 3 has a benchmarking in what concerns important characteristics present in the market. Students attributed weights to each company in each of the market key success factors, based on personal assumptions, as explained in the appendix. Among the four companies analyzed, Quidgest was placed after SAP, and before Epicor and Syspro. In the above-mentioned table, one can conclude that Quidgest is a SME not competitive enough to be challenging with the biggest enterprises (such as SAP) but is able to compete with medium ones. Therefore, my personal opinion is that Quidgest should be targeting only SME and not all company sizes; because narrowing the target would allow them to have specific action plans and be more efficient with it. Additionally, it is possible to see in the table that Quidgest scored the highest values on *Time to market* (speed on product delivery), *Customization* (fit to the costumer) and *Updating and Maintenance* (low costs and in fast time - flexibility). The previous are Quidgest competitive advantage, due to Genio. As the VRIO (Barney 1991) framework describes: it is valuable– the process is a more capable one when compared with manual alternatives of generating code (less costs to produce); rare– nonexistent in the industry (the technology is constantly updated and so no other company has it equally); costly to imitate- complex to built and is hard to copy it; and organized – it is placed in the organization in a way that defines them. Genio is a flexible tool that allows the company to achieve a superior performance. It functions in



a faster way: 2 bytes per second, contrary to its competitors which take much time to do so- manually it takes around 1.000.000 bytes per second. It also permits the transition from outdated technologies to more recent ones, incorporating clients' feedback and market trends faster than the majority (flexibility).

Quidgest primary activities are: marketing and sales, R&D, operations and after sales service (value chain in appendix 4). The company's line of production organizes itself in two ways: the "product" (pre-designed system, which is sold to the client after being adapted to the company end-user) and the "project" (specific software which Quidgest designs from scratch to answer to the client's most demanding needs)<sup>7</sup>. The process starts with what is called "request for proposal" of a project/ product. Second, the operations phase is composed by iterations with clients- according to clients' needs Quidgest workers refine it until it is as desired. Following, is the installation and training phases to the clients' employees. Fourth is the technical assistance and support service in a frequent base. To Quidgest, simple assignments take around 1 month and complex ones can last 4 months. Besides the mentioned, Quidgest has more strengths: the informal environment created by the multicultural team helps in the internationalization process; and the direct relationship that Quidgest fosters with its clients. On the other hand, brand awareness is Quidgest weakness, and Quidgest communication channels with potential new clients are not very efficient.

### **Internationalization Process:**

#### **Brazil**

Internationalization is one course of action to achieve the targeted growth of 2% a year, with **Brazil** being one country of selection (J. P. Carvalho, personal communication March 16, 2012). As Brazil is economically expanding it became one of the most

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<sup>7</sup>Sometimes a "project" involves "product" and a "product" involves a "project".

promising countries, with tremendous opportunities available. For that reason it is worth studying. In 2011, Brazil had a GDP (PPP, US Dollars) of \$2.282 trillion (estimate) (CIA World FactBook 2012), ranking 8<sup>th</sup> country in the world. This emerging country is part of the BRICS<sup>8</sup>, and is one of the biggest and most powerful economies in South America. Recently, the three agency ratings, Moody's, Fitch and S&P raised the country ratings for foreign and local currency credit of Brazil (Leahy 2011). The latter rated Brazil's foreign currency denominated debt as "BBB" and in debt denominated in the local currency as "A-". The difference between these two ratings shows how the local currency *Real* is overvalued relative to foreign currencies. In fact, *Real* is a strong currency in part due to high weight of exports that creates currency inflows; on the March, 30<sup>th</sup> 2012 the exchange rate was USD1  $\approx$  BRL1.82 (Central Bank Brazil 2012). In the past years Brazil has stabilized its inflation rate, decreased foreign debt and built foreign reserves, increasing this way its attractiveness and revealing the government strong financial plans. With a stable political environment and a growing economy, Brazil still faces disparities among income and social wealth distributions. In order to complement the country analysis, the PEST framework was applied on secondary appendix 9. Culturally speaking, according to the Hofstede rank, Brazil is very power distant, the population is collectivist, is as much masculine as it is feminine, does not like uncertainty and is long-term oriented (secondary appendix 10). The last fact is really important to have in consideration when negotiation with a Brazilian, they think about the future and search for ways to accomplish goals. When negotiating in Brazil, one has to bear in mind several cultural facts, namely: typical Brazilian is not time-conscious and being late happens frequently (can affect time length of negotiations); often, the environment is quite informal and they are nationalist. For additional details of cultural facts and how to do business in Brazil see secondary appendix 11.

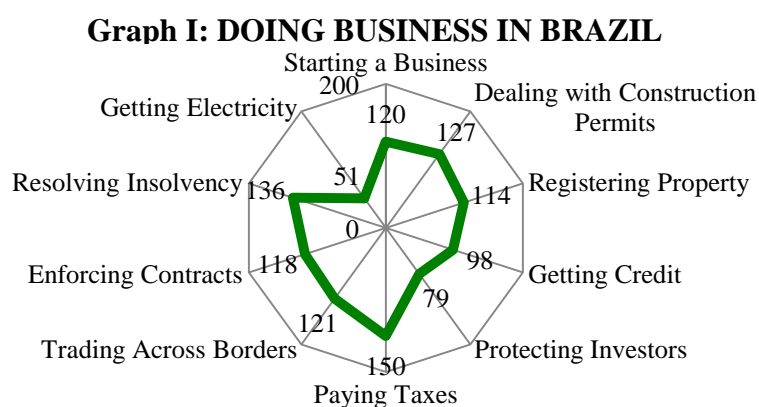
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<sup>8</sup>Brazil, Russia, India, and China

Technology wise, Brazil is seen as a developed country. Still, the technological market potential is calculated to be enormous as Brazil is recovering from the financial crisis.

Threats: The Maplecroft Political Risk Index 2011 (Maplecroft 2011) attributed to Brazil a medium degree, which is between 5 and 7.5 (0 indicates extreme risk and 10 no risk). This represents a concern but is not a major problem, as the country is showing progress from one year to another. Additionally, another index that measures the country circumstances is the Corruption Perception Index<sup>9</sup> (Transparency International 2011). Brazil attained 3,8 in 10 (1 is the highest value for corruption, 10 means no corruption), being positioned in the 73<sup>rd</sup> place (in 182 countries analyzed). This is one of highest levels of corruption, a serious threat that requires business people to stay alert.

Opportunity- Business environment: Brazil is a strong country in its ease of doing business. The publication “Doing Business in Brazil” (The World Bank, International Finance Corporation 2012) ranked Brazil in 126, between the 183 countries analyzed in the study (see secondary appendix 12). Still, Brazil is bellow American Latina and Caribbean average which are in the 95<sup>th</sup> position. Brazil scores were the following:



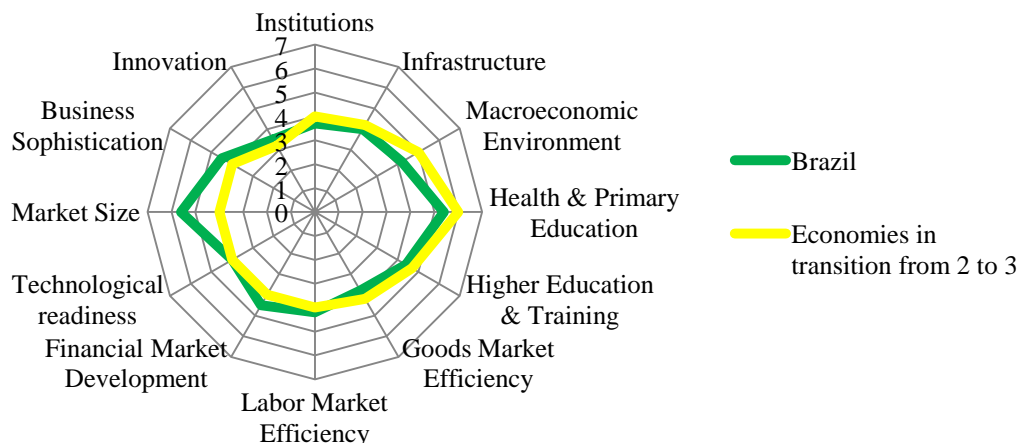
**Source: Ease of Doing Business – Country Profile: Brazil**

A factor of satisfaction is *Getting Electricity* (51/183) revealing a great advantage for ERP businesses. Another relevant point for this dissertation is the *Protecting Investors*

<sup>9</sup> “The 2011 corruption perceptions index measures the perceived levels of public sector corruption in 183 countries and territories around the world”

one, in which Brazil attained 79/183. *Starting a Business*, which reflects the efforts of Brazil on developing its business side, requires 13 procedures, takes 119 days, costs 5.4% of income per capita and requires paid-in minimum capital of 0.0% of income per capita. In getting credit, the economy scored 98/183, also very positive for the present matter. According to *The Global Competitiveness Report 2011-2012*© (2011 World Economic Forum Global 2011), in the Competitiveness Index, Brazil ranked 53 (in 142 countries) with a score of 4.3 out of 7. In terms of the stage of development, the country was positioned between the phases of *Efficiency driven* (phase 2) and *Innovation driven* (phase 3). The parameters can be seen on the following graph:

**Graph II: BRAZIL STAGE OF DEVELOPMENT**



**Source: The Global Competitiveness Report 2011-2012©**

Among several aspects, this study measures the country's *technological readiness* and *business sophistication level*. On the first parameter it scored 4, and on the second one scored between 4 and 5 (7 maximum). This indicates once again that Brazil is evolving and on the path to become a developed country. Regarding internet usage, 36,7% of the Latin America population is internet users. Brazil is responsible for most of the value attained, 36% of its population is an internet user (European Travel Comission 2011).

Economic trend: In the past few years, all sectors in Brazil recognized the important role the IT industry could have to foster economy. Consequently, the ERP sector gained a wider awareness and grew exponentially. It was understood how helpful this tool

could be to achieve competitive advantage, to innovate and to increase transparency in operations. In 2014, Brazil will be hosting FIFA World CUP® and in 2016 the Olympic Games®. These two major events require a certain level of progress and innovation which encourages actions to prepare the country, stimulating the development of infrastructures, transports, business conditions, healthy and education system, etc. As a result, domestic demand of ERP systems increased in part due to private companies' initiatives but mostly due to the government. This last one is obliging certain legal requirements that demand companies to install innovative IT solutions to foster economy. As an example: to be part of internet-based systems with the purpose of controlling fiscal policies (e.g.: *Sistema Público de Escrituração Digital* (Sped) and to issue the *Nota Fiscal Eletrônica*). The government is very supportive in this matter and helps companies to achieve the requirements: market opportunity to Quidgest. Special credits are being offered to give incentives to companies, for example by the Brazilian Development Bank (BNDES); the Finep (agency that finances scientific innovation and technological research); *Banco do Brasil* and *Caixa Econômica Federal*. The government also benefits joint ventures, special agreements between private companies and other different types of investments (like venture capital). In the private sector the biggest market trend is innovation in SMEs. ABDI and RENAI are platforms that help to find out the existing opportunities in each state for companies.

#### Market analysis: The Brazilian ERP market

According to *IDC Brazil* in partnership with *ABES*<sup>10</sup>, the Brazilian market of software and services reached 21.4 thousands of dollars in 2011, an increase of 12.24% of the 2010 value, revealed the website *IDG Now*<sup>11</sup> (COMPUTERWORLD 2012). In the same year it was the 10<sup>th</sup> biggest worldwide, and future expectation is to become the 6<sup>th</sup> one

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<sup>10</sup> ABES- Associação Brasileira de Empresas de Software

<sup>11</sup> Important Brazilian website of technology

this year. To illustrate the market size, *IDG Now* states that the IT market in Brazil represents almost 50% of the Latin America activity and its growth is predicted to be between 15- 20% in 2012. The ERP segment is a big responsible for that. Another study from IDC Brazil -*ERP Tracker*- predicts that sales in the ERP sector will grow annually 11% between 2010 and 2014 (Carvalho 2011). Recently, the publication “Software 2011” (Series Estudos 2011) ranked the best ERP Software vendors in the Brazilian market in 2010:

**Table I: Top 10 companies in the Brazilian ERP market, 2010**

TOP 10	1	2	3	4	5	6	7	8	9	10	Other	Total
Rev*	1193,4	161,5	52,5	15,0	14,3	13,2	14,1	6,4	5,1	4,8	138,6	618,8
MS % **	31,2%	26,1%	8,5%	2,4%	2,3%	2,1%	2,3%	1,0%	0,8%	0,8%	22,4%	100%

\*Revenues in the ERP segment, US millions

\*\* Percentage Market Share

**Source: Serie Estudos, 2011**

TOTVS, Sap and Oracle lead the market, followed by Senior, Infor, Sannkhya, MXM, Benner, Microsoft and Alterdata (decreasing order). Among these, the publication also mentions others companies operating in the ERP Brazilian market, thus potential Quidgest competitors. Those are: 3CON, ABC 71, Consist, Mastermaq, Mega Sistemas, Nasajon, Star Soft and TI Educational. It is interesting to analyze that the Brazilian ERP industry is composed by one big national (TOTVS), few big internationals and many Brazilian small enterprises. The Herfindalh-Hirschman Index for the top 5 companies is  $0,173795^{12}$ , revealing a reasonably concentrated industry. Furthermore, the foreign ERP companies have together almost 50% (0,449) of the total market shares, a big weight once they are only four. These facts indicate that the market is, as previously described, concentrated around the big enterprises and then spread around it, with many small companies. Moreover, it is possible to conclude that the influence of foreign companies

<sup>12</sup>  $0,312^2 + 0,261^2 + 0,085^2 + 0,024^2 + 0,023^2$

is considerable heavy. Simultaneously, in the same study one can find a complete analysis of the IT industry in Brazil with the rank of the TOP 50 nationals and multinationals companies (Series Estudos 2011). Most of the above-mentioned ERP companies are among the TOP 50 Software companies either national or international. This means that the Brazilian ERP companies are efficient and very complete, as they are good software companies and offer other services/ products. Moreover, it can also be concluded that Brazilians are participative in the industry and take initiative to create small businesses.

In Brazil, Quidgest strengths are the common language and culture, which eases the adaptation of the product. Henceforth, its mature products, the fast time to market and low maintenance costs are product related strengths that Quidgest can offer in Brazil. These last points are important when having in consideration that Brazil is demanding really quick ERP systems to prepare its companies to the Olympic Games ® in 2 years. Since the country is still growing and evolving, the products will demand constant update and Quidgest has advantage doing it. Concerning Quidgest weakness applied to Brazil, the lack of communication channels and brand awareness still apply, and needs to be taken in consideration and improved.

Brazil- choice of the state: due to the fact that Brazil is a rather big country, it is prudent to analyze the states and choose the one to start with the process, instead of trying to go to the entire country simultaneously. The region Quidgest has chosen to start is Brasília. Brasília is the capital of Brazil, as such, is a political region. For being the Federal District, Brasília is the headquarters of the government and is deeply-rooted with political manners. All the principal organs of the public administration are located here, as well as the center of operations of the executive, legislative and judiciary powers; its principal economic activity is a result of the city's administrative function and duties.

Having said this, I believe that this region, despite being one of the biggest in Brazil (according to GDP- see appendix 5), is not the appropriate to start with the internationalization process. For the reason that it is very hard to enter in such a political market, filled with an already developed network of interests and a doubtful political transparency. Most of all, it is even worse for a small foreign company to enter without any brand name yet recognized in Brazil, nor with any contact or inside connection with anyone of political strength. Hence, I feel like it is crucial to avoid this market threat and study other states to begin with, easier to penetrate. In order to evaluate the other states, three steps will be taken in consideration. First, it is crucial to determine the states attractiveness and their different market sizes. Consequently, it will be chosen the biggest states in terms of contribution to GDP. Secondly, as Quidgest operates in a business to business industry, the demography of companies will be determinant to choose the location to operate in (it is assumed that all existent companies are potential demanders of an ERP system and so all are considered possible clients). As such, states were ranked according to the number of active companies each one has, allowing this way to position them according to their market attractiveness. The table on appendix 5 has the Brazilian states according to the % contribution to the GDP in 2008 and 2009 and the number of total enterprises in each state (IBGE 2010). Plus, it has also the rank (done by the author) of the highest values in each of the two categories mentioned. This analysis shows clearly that the most developed regions are the South and Southeast. The states with the biggest GDP values are *São Paulo, Rio de Janeiro, Minas Gerais, Rio Grande do Sul, Paraná, Bahia, Federal District* and *Santa Catarina* (from the biggest to the smallest, respectively). According to the number of companies per state, the top 6 rank is *São Paulo, Minas Gerais, Rio Grande do Sul, Paraná, Rio de Janeiro* and *Santa Catarina*. *São Paulo* and *Rio de Janeiro* were excluded due to the fact these two cities



are the biggest two in Brazil and are the Brazilian economic centers. For that reason they represent a big market threat. One can perceive how competitive the environment is, and how much harder it is for a small foreign company to enter there. A less competitive market will allow a better penetration and establishment. To conclude, the states that last are *Minas Gerais*, *Paraná*, *Rio Grande do Sul* and *Santa Catarina*. The final decision of the state will have in consideration technological development. The presence of software companies will be studied, as they are a good evidence of the technological conjuncture. From the study above-mentioned regarding the Top 50 multinationals (Series Estudos 2011), only one enterprise was from *Minas Gerais* and another one from *Rio Grande do Sul*. All of the other companies are centralized either in *São Paulo* or in *Rio de Janeiro*, confirming the previous conclusion that going there is too much riskier and is not advised, once competition is too intense. In what concerns the Top 50 nationals, companies are more decentralized and are spread for: 7 are in *Santa Catarina*, 3 in *Minas Gerais*, 2 in *Paraná* and none from *Rio Grande do Sul*. Makes sense to be around companies to form clusters, enjoy economies of scale and synergies, as also to be around for potential partnerships. As a result from the previous analysis, the state of ***Minas Gerais*** is the best choice to select. It presented the best case scenario: 3<sup>rd</sup> place in the rank of best contribution to GDP, 2<sup>nd</sup> in the presence of companies and 2<sup>nd</sup> with IT top nationals companies in the state.

### **Entry modes**

Quidgest intention to go abroad is to increase sales and acquire special know-how (regarding technologies and best practices in another country) (J. P. Carvalho, personal communication April 6, 2012). Due to its already existent learning curve in the internationalization process, Quidgest learnt that it is required to enter in a market with a partnership. Receiving help from a local company increases the probability of success

of the internationalization process. Nonetheless, it is very important for Quidgest that partners have special characteristics and a strategic fit. To make sure companies have the same needs and that they understand each other, a partner must be aligned with Quidgest strategy and its reality, this is, they must accept Genio. Additionally, other important characteristics are to have a networking base and being somehow related to the technological market (know this type of business works).

In literature it can be found several types of modes of entry: franchising, licensing, management contracts, international subcontracting, project operations, exporting, alliances and foreign direct investment (Welch, Benito e Petersen 2007). Appendix 6 has a table with advantages and disadvantages for possible entry modes, as well as why each one of them is not a possible selection for the case. The other forms are automatically excluded because they do not fit. Among the several arrangements, the suggested is **Strategic Alliances**. Strategic alliances are “arrangements where two or more companies engage in collaborative activity, while remaining as independent organizations, and result in foreign market operations” (Welch, Benito e Petersen 2007). With this agreement Quidgest can learn and benefit from existing synergies that ease the penetration in the market, like having access to the partner skills, access to local market specificities, communication networks with potential clients and distribution channels, all of which will allow a greater fit with the market. It is mandatory to draw a legal contract with an attorney to protect and control Genio to keep the technology in-house (the technology is only for the use of the partnership). The contract must be described as a licensing without royalties, Quidgest transfers the technology and in counterpart the partner finds clients. Regarding the partner’s characteristics, it should be medium-sized, (small company would not have the resources needed; a big enterprise could potentially generate problems in terms of having to must strength and power). In what concerns the

partner's type of industry, the advised is to be a consulting company. A consulting company has a higher probability of finding clients, the potential share of knowledge is vast and, as they are a complementary company, the likelihood of stealing clients or copying the technology is much lower. After having analyzed consulting companies in *Belo Horizonte*, capital state of *Minas Gerais*, it was found three companies that can be suggested as a Quidgest partner: *NetService*, *Prumo contabilidade e Consultoria LTda.*, and *Opportunity Consultoria*. The three on them fit in the minimum criteria of acceptance to be a Quidgest partner. The last requirement that Quidgest appreciates is the fact that a partner believes in the customization characteristic of the products. *NetService* is the only company that targets the issue: "Currently, with the growth of its portfolio range, the company is recognized in the IT market as provider of integrated and customized solutions in the fields of technology and engineering" (NetService 2012). Other two factors to highlight about the company is the fact that it is a Microsoft Gold certified partner (as Quidgest), was recognized for being one of the top informatics companies in Brazil and has an important role of action in the public sector (as Quidgest). *Prumo* is a consulting strategy company, specialized in financial and commercial areas; and *Opportunity* is a consulting company focused on the growth of micro companies. Having said, the three of them present good cases, nevertheless, the one suggested because it suits the most is *NetService*.

### **Implementation Plan:**

The implementation plan will define the overall strategy, with key initiatives, objectives, and KPIs of performance measurement to monitor the plan. To structure it, it will be followed the theoretical framework 4 M's (Soeiro 25 November 2011):

Men: The team will be constituted by workers from the partner and from Quidgest; the advised is in same number so that there is not a stronger team between them, 2 workers

from each one. Quidgest supplies the technology, technical know-how and offer the after sales assistance. The Portuguese team will be formed by 1 consultant (project manager) that will develop the projects along with the partner's consultants, plus a technician (analyst) that will give technical support with the Genio. In the beginning of operations, Quidgest workers will give training to the Partner's workers regarding Quidgest cultural aspects and Genio. The partner workers are responsible for finding the clients and transmitting market know-how. Additionally it will be required a secretary (a Brazilian one to suit to the local culture and manners) for administrative tasks, like arrange meetings or organize the office paper work.

**Money: Table II: Total investment required**

Resources	Cost	Total Cost
<b>Send team to Brazil</b>	€900 each	€1800
<b>Work visas (Brazilian Consulate 2012)</b>	€200 each <sup>13</sup>	€400
<b>Total Initial Investment</b>		€3500
	<b>Monthly Cost</b>	<b>Annual Cost</b>
<b>Salary Quidgest workers</b>	€4.000	€48.000
<b>House rent (Numbeo 2011)</b>	€700	€8.400
<b>Office + daily expenses</b>	€1000/2 *	€6.000
<b>Secretary</b>	€700/2 *	€4.200
<b>Total Annual investment</b>	€5.550	€66.600
<b>TOTAL INVESTMENT</b>		€70.100

\*Common expenses.

**Source: personal computation**

Assumptions: common expenses are paid together. Regarding wages, Quidgest pays the salary of its workers (according to the Portuguese market, with extra benefits to support living in a more expensive country, which is Brazil) and the partner is responsible for its workers' salaries. As it was not granted access to Quidgest wages, it will be computed as an estimative (Channel Partner 2009). The project manager is estimated to receive around €2.500 and the analyst €1.500 (includes an allowance of subsistence to live). Additionally, the workers will need a compensation bonus to align their interest with the

<sup>13</sup> It has to be permanent visas because the temporary ones last 90 days, a time period not sufficient for the implementation plan. It is assumed that workers can get access to work visas.

success of the process. The incentive scheme must be measured with KPIs establish, to ensure not just the success and profitability of the process but its sustainability too.

Minute: The timeline of the implementation plan will be 2 years. Follows a list of the activities, objectives and the correspondent time period (secondary appendix 13):

**Table III: Implementation plan timeline with activities and objectives**

Activities	Initiatives	Objectives	Months before starting	Dependent activities
1	Define objectives	Set the process goals	24 – 18	
2	Contact AICEP and Embassy	To inform and include them on the process	24 – 18	
3	Analyze the market/ partners	Find a partner that fits	23 – 12	
4	Choose a partner	Define the formal union, establish limits	12 – 8	3
<b>Start partnership</b>				
5	Train the Portuguese team	To teach the partner's workers	8 – 3	
6	Define the business strategy with the partner	Marketing plan, sales representation, costumer support service, etc.	7 – 1	4
7	Find customers	Partner's role	6 – 1	4
8	Establish an office	Depending on the partner, can be avoidable	5 – 1	
9	Find a secretary		5-1	
10	Arrange accommodations	For the PT team	5	
11	Send team to Brazil	To adapt and train the local team	3	5
12	Give training to the partner's team	Technical and non-technical training.	2 -1	5, 11
<b>Start projects</b>				

**Source: personal computation**

Memos: In order to be well prepare, the company has to analyze internally its conditions and establish which are the goals from different perspectives (financial, customer, internal and learning) with the correspondent KPI's to assess continually the impact of the internationalization plan. As well as understand each activities can be developed in the outside market, as the following tables present:

**Table IV: Strategic objectives and measures**

Strategic theme	Objectives	Measurement	Target	Initiative
<b>Financial</b>	Sales expansion	Sales Revenue and its growth, Profitability	Growth 2%	Expand to new markets
<b>Customer</b>	Create a solid customer base and increase customer satisfaction	No. of projects and new clients, customer retention ratio, satisfaction rate	75% of retention rate	Inquires to clients and internal data
<b>Internal</b>	Create brand recognition, increase partnerships and improve networks	Level of brand awareness, number of projects and links obtained through the partner.	Minimum 4 new projects/year	Inquires to clients and internal data.
<b>Learning</b>	Acquire technical know-how and create R&D economies of scale. Develop Genio capabilities	Number of new modules developed, time of implementation.	Improve explicit knowledge to be transferred/ documented Knowledge of the local market	Internal assessment

Source: Personal computation; (Soeiro 25 November 2011)

**Table V: Process Matrix**

Business Process	Critical success factors								
	Reputation (Present Clients)								
	Customized products		X	X			2	B	20%
	Update and Maintenance		X	X		X	3	B	35%
	After sales service CRM				X		2	C	5%
	Time to market								
	Total of impacts								
	Quality of the process								
	Spender process								

Source: Personal computation; (Soeiro 25 November 2011)

Legend: scale of “Quality of the Process”: A- very good, B- good, C- median, D- bad.

From the previous matrix one can conclude that most important activity is **operations**: has a bigger impact on the company, good quality and is the one that spends the most. Its quality rank is B, a good evaluation which means that the activity is advisable and does not need to be improved before going to Brazil.

### **Risk Analysis**

Despite the Strategic Alliances positive aspects, the arrangement also has its risks. To start, lack of control over the technology, operations, or management. To avoid it, it is advisable to begin with only one partner, to be easier to control and manage, and it is essential to protect the technology with the mentioned legal contract. Strategic Alliance can also lead to problems of uncertainty regarding leadership (lack of hierarchical control). When limits are not well defined, the line between being on the same side and being competitors can become stiff. It is needed to be aware of potential conflict pressure when one wants to maximize the gains from the agreement but it also wants to maximize its own surplus. Strategic Alliances avoid the risk of failing due to a misfit with the market, since the partner supports in this field. Besides, Strategic Alliance allows the company to retrieve without having heavy exit cost or much barriers, it functions as a contingency plan. Finally, in a negative scenario, there is always the financial risk of not having clients or revenues not matching expectations.

### **Conclusion and recommendations**

To conclude, after having analyzed Quidgest, the chosen foreign country and its market characteristics, the proposed is a strategic alliance with a consulting company already present in Brazil, mainly in *Minas Gerais*. *Minas Gerais* was the state of election for its attractiveness and potential. As future recommendation, in case the company wants to increase the commitment, the suggestion is to form a **Joint Venture**. In a joint venture Quidgest would unite with another company and form a third one, investing capital in

this third new company established. Starting with a strategic alliance allows an easy entrance, to get to know the market and absorb local knowledge; afterwards changing to a Joint Venture allows a greater commitment, which consequently can lead to greater rewards. Additionally, it will also allow taking advantage of subsidies for the IT sector from the government because is a national company.

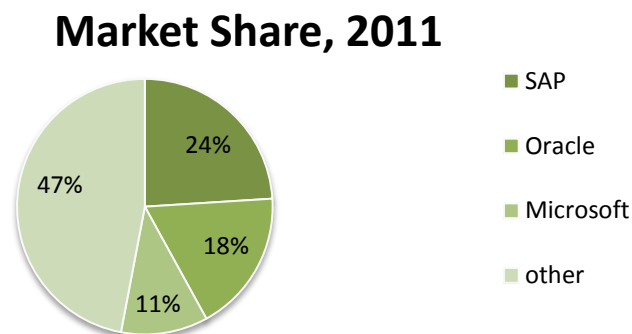
### Principal appendices:

#### **Appendix 1:** Industry mapping:



**Source:** personal intuition

#### **Appendix 2:** International market: Market shares, 2011



**Source:** (Paronama Consulting Group 2011)



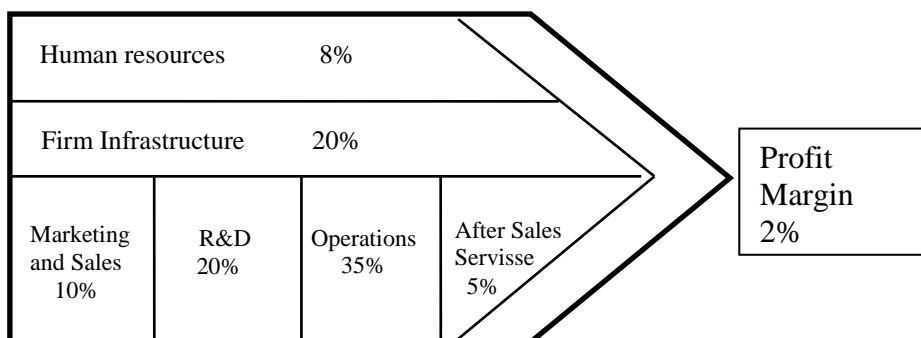
### Appendix 3: Benchmarking between Quidgest and the different Tiers

	Weight	SAP	Score	Epicor	Score	Syspro	Score	Quidgest	Score
<b>Reputation (Present Clients)</b>	0,19	0,76	4	0,665	3,5	0,57	3	0,57	3
<b>Brand awareness (Potential clients)</b>	0,125	0,625	5	0,5	4	0,3125	2,5	0,125	1
<b>Clients' retention capability</b>	0,13	0,455	3,5	0,52	4	0,455	3,5	0,455	3,5
<b>Strategic alliances</b>	0,05	0,15	3	0,175	3,5	0,175	3,5	0,2	4
<b>Customized</b>	0,1	0,3	3	0,35	3,5	0,5	5	0,5	5
<b>Updating and Maintenance</b>	0,225	0,7875	3,5	0,675	3	0,7875	3,5	1,0125	4,5
<b>After sales service CRM</b>	0,08	0,24	3	0,32	4	0,32	4	0,32	4
<b>Time to market</b>	0,1	0,45	4,5	0,3	3	0,35	3,5	0,4	4
<b>Total</b>	1	3,7675		3,505		3,47		3,5825	
		1		3		4		2	

Scale: 0- Nonexistent; 1- Bad; 2- Unsatisfactory; 3- Medium; 4- Sufficient; 5- Excellent

Methodology: First was defined the weights of each category according to its importance in the industry. Afterwards, it was fixed Quidgest values, and after having study the competitors, their values were set too. Both, the parameters and the values given were computed by the group with personal assumptions after having analyzed the market dynamics and each company. The table computation was also based on the Panorama Consulting Group study (Panorama Consulting Group 2011) and the past thesis from Paulino Matas Sánchez (Sánchez 2010).

### Appendix 4: Quidgest value chain:



Source: 2011 (J. P. Carvalho, personal communication February 17, 2012)

## Appendix 5: GDP and No companies rank in Brazil

	GDP 2008	GDP 2009	GDP Rank	# total Brazilian companies (2009)	# companies rank
<b>BRAZIL</b>	100	100		4.600.282	
North				156.982	
<b>Rondônia</b>	0,6	0,6		27.566	
<b>Acre</b>	0,2	0,2		7.177	
<b>Amazonas</b>	1,5	1,5		28.881	
<b>Roraima</b>	0,2	0,2		5.835	
<b>Pará</b>	1,9	1,8		59.377	
<b>Amapá</b>	0,2	0,2		6.618	
<b>Tocantins</b>	0,4	0,4		21.528	
Northeast				695.416	
<b>Maranhão</b>	1,3	1,2		54.081	
<b>Piauí</b>	0,6	0,6		35.441	
<b>Ceará</b>	2,0	2,0		128.953	
<b>Rio Grande do Norte</b>	0,8	0,9		47.262	
<b>Paraíba</b>	0,8	0,9		46.712	
<b>Pernambuco</b>	2,3	2,4		111.199	
<b>Alagoas</b>	0,6	0,7		32.464	
<b>Sergipe</b>	0,6	0,6		24.330	
<b>Bahia</b>	4,0	4,2	6	214.974	
Southeast				2.375.328	
<b>Minas Gerais</b>	9,3	8,9	3	507.269	2
<b>Espírito Santo</b>	2,3	2,1		88.124	
<b>Rio de Janeiro</b>	11,3	10,9	2	328.245	5
<b>São Paulo</b>	33,1	33,5	1	1.451.690	1
South				1.023.296	
<b>Paraná</b>	5,9	5,9	5	360.770	4
<b>Santa Catarina</b>	4,1	4,0	8	244.908	6
<b>Rio Grande do Sul</b>	6,6	6,7	4	417.618	3
Central-West				349.260	
<b>Mato Grosso do Sul</b>	1,1	1,1		53.531	
<b>Mato Grosso</b>	1,8	1,8		73.943	
<b>Goiás</b>	2,5	2,6		142.182	
<b>Distrito Federal</b>	3,9	4,1	7	79.604	

Source: (IBGE 2010)

## Appendix 6: Different types of entry modes

Type of entry mode	Advantage	Disadvantage	Decision
<b>Exports:</b> Exporting the good to the foreign country	Cheaper and allows total control of the technology	Does not allow physical relationship with clients to develop the product and for customer support.	Not feasible in this case.
<b>Licensing:</b> Quidgest would grant the right to use Genio, in exchange for a fee	Simple as the other company is responsible for production	High risk of copying the technology	Not possible, because not willing to sell the technology
<b>Management contracts:</b> sell the technology with a management team to work with it, for a fee.	Easier and has low risk of production failing.	Lack of control over operations and more importantly over the technology	The company is not willing to sell their technology.
<b>FDI:</b> Transferring resources (capital, technology and human capital) overseas.	Host government supports this kind of initiatives and so the political risk is low.	Higher commitment and high level of investment	To risky to start with and does not involve a partnership.

**Source:** (Welch, Benito e Petersen 2007)

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## **SECONDARY APPENDIXES:**

### **Appendix 7:** Formal company vision and mission (Quidgest 2012):

#### “Our corporate vision:

- Be a strong reference as a custom built software supplier (when a company needs an information system, think of Quidgest);
- Being seen as a prominent company, with a good working environment, focusing on innovation, quality, the participation of each employee and development of their competences.

#### Our corporate mission:

- to leave a mark, to make a statement and a contribution to our stakeholders;
- to actively participate in the technological revolution of our time;
- to create a work environment that encourages innovation, continuous improvement and the professional realization of its employees. “

### **Appendix 8:** Explanation of traditional Tiers (ERP and More 2005):

Generally speaking, companies can be grouped in Tiers, according to same specific characteristics, as follows:

**Tier I**– Software Company that supplies large enterprises, multinationals with typically revenues over \$200 million.

**Tier II**– Software Company that supplies medium companies. Can have one or two sites and generally have revenues ranging from \$20 million to \$200 million dollars.

**Tier III** – Software Company that supplies SME, usually placed in just one country, not so demanding and with revenues under \$40 million dollars.

To understand better this classification follows a description of some more specific characteristics of the ERP systems for each Tier (Ultra Consultants 2012):

**Table I:** Characteristics of each Tier

Tier I	Tier II	Tier III
High complexity	Medium complexity	Limited functionality
Highest cost of ownership	Medium cost of ownership	Lowest cost of ownership
Can be used in many industries	Vertical industry focus	Vertical industry focus
Largest ERP companies	Medium size companies	Smaller companies
International function	International function	
Global multi capability		

**Source:** (Ultra Consultants 2012)

When doing a benchmarking of the industry and after having analyzed parameters such as the companies' size or number of employees, one can consider Quidgest as a SME, therefore fitting in Tier II. Nevertheless, when looking to parameters such as the clients targeted, Quidgest fits on Tier I. This is due to their ambition and competitive advantage, even being still a SME, Quidgest aims to compete with companies with a bigger scale and supply large enterprises. It is a rather different company than its competitors and is not placed among them within the same model.

The following table lists several international companies by the correspondent Tier:

**Table II:** International vendor in each Tier

Tier I	Tier II	Tier III
SAP	Epicor	ABAS
Oracle	Sage	Activant Solutions Inc.
Oracle eBusiness Suit	Infor	Baan
Oracle JD Edwards	IFS	Bowen and Groves
Oracle Peoplesoft	QAD	Compiere
Microsoft Dynamics	Lawson	Exact
	Ross	Netsuite
		Visibility
		Blue Cherry
		Exact
		HansaWorld
		Intuitive
		Syspro

Source: (Paronama Consulting Group 2011)

Connecting all the previous information, combined the characteristics that a company has to have to be in each tier, plus some companies that are allocated to each tier, it was possible to build the table above: comparison between companies of the different tiers with specific characteristics.

**Table III: Competitive assessment**

Competitive assessment		Complexity	Cost ownership	of	Clients targeted	Type product	Size: # offices, #employees	Rev. 2011	Growth rate 2010/2011
?	QUIDGEST	High	Medium		Largest ERP companies	customized	5 offices, 80 employees	2.91 million €	- 7%
TIER 1	SAP	High	Highest		Largest ERP companies	Standard and customized	Offices in 50 countries, 55,765	14,2 billion €	14%
	Microsoft	High	Highest		Largest ERP companies	Standard and customized	150 offices worldwide, 90.412	69, 94 billion \$	4,67%
	Oracle	High	Highest		Largest ERP companies	Standard and customized	Offices in 145 countries, 180,000	35,6 billion \$	19%
TIER 2	Sage	Medium	Medium		Medium	Standard and customized	Offices in 23 countries, 12.300	1.334 million £	- 0,07%
	EPICOR	Medium	Medium		Medium	Standard	Offices in 150 countries, 4000	804,2 million \$	31%
TIER 3	Syspro	Limited	Lowest		smaller	customized	14 500 offices worldwide, 350	65 million \$	8%
	ABAS	Limited	Lowest		smaller	standard	Around 600 employees	600 million €	n.a

**Source:** students computation based on the previous Tables.

## Appendix 9: Pest analysis

### Political

Brazil is a Federal Republic composed by 27 federal units, 26 States and the Federal District (Brasília), plus the municipalities, autonomous between each other. Additionally the States and the municipalities can be clustered in regions: Northern, Northeast, Central-West, Southeast and Southern, as represented in figure I:

**Figure I:** Brazilian Regional Map



**Source:** (Eco Brazil 2000)

Usually these divisions are very useful to structure how the federal funds are distributed in development projects. Since the nineties that Brazil is a strong democratic system with political stability, without any severe conflicts happening. Since 2002, the Worker's Party (a left party with direct ties with trade union movements) is in charge first with *Lula da Silva* and more recently, in 2010, with *Dilma Vana Rousseff*. Elections take place every 4 years. In the Brazilian political system it is possible to find several small parties, yet the biggest and most popular ones are: the already mentioned Worker's Party, Brazilian Social Democratic Party (PSDB), the Brazilian Democratic Movement Party (PMDB), the Democrats (DEM) and the Liberal Front Party (PFL).



**Economic:** (BRASSCOM 2008), (Economy Watch s.d.)

After having overcome the economic crisis in 2008, Brazil is seeing again a period of expansion and its economic indicators have stabilized. Brazil is showing an exponential growth, and is one of the most desiring countries in the world. From 2002 to 2010, the real GDP grew from US\$ 724 billion to around US\$ 2 trillion, a growth of 276% (The World Bank 2012). For 2011, the United Nations Development Program (UNDP) (United Nations 2011), placed Brazil in 84<sup>th</sup> place in 187 countries in terms of HDI, with a value of 0.718. The high score represents an increase of 31% on average, since 1980, which reflects the progress that the country has done. Nevertheless, Brazil is below Latin America and the Caribbean Zone rank, which is 0.731. When computing the IHDI<sup>14</sup> Brazil scores 0,519, again below the Latin America and the Caribbean score of 0.540. The overall loss was 27.7% that is composed by the loss due to inequality in life expectancy at birth 14.4%, the loss due to inequality in education 25.7% and the biggest one which is due to inequality in income 40.7%. Moreover, according to *CIA, The World Factbook*, the distribution of income of the population changed, the low income class decreased and the middle and upper classes amplified, Brazil's lowest 10% margin of household income is 1.2%, while the highest 10% is 42,5% (2009) (CIA World FactBook 2012). Additionally, the Gini Index decreased from 60,7% in 1998 to 51.9 (estimate) in 2012 (CIA World FactBook 2012). This trustworthy entity also affirms Brazil has a work force of 104.3 million (2011 estimate) people, one of the largest ones in the world, and an unemployment rate of 6% (2011), ranked 62 smallest in 200 countries around the world. The most important sectors in the economy is services, being 67,3% of the GDP (2011 estimate) (CIA World FactBook 2012). Agriculture (mainly coffee, soybeans, rice, sugarcane, cocoa, and cattle farming) was 5.8%<sup>7</sup> of GDP last 2011 (estimate) and industry (are textiles, chemicals, iron ore, steel

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<sup>14</sup> Inequality adjusted HDI - which discounts the average inequalities in all of the three dimensions of the HDI.

and motor vehicles) was 26,9%; sectors like mining, aerospace and energy have also a certain level of importance. Brazil is growing due to economic expansion, but to foreign direct investment too. The country showed to the outside world its attractiveness and foreign investment has been a constant inflow. In 2010, it reached 2.3% of the Brazilian GDP (The World Bank 2012). The foreign investment is also stimulated by the high interest rates and the strong real. Aside from capital, Brazil is also exporting and importing goods and services, more than in past years. Some experts call the attention for this fact. Since the real is strengthening, exports can become less attractive and imports can increase, thus creating a deficit in the current account. The increase in export helped the country to decrease its external debt. Still, the value continuous to be high: present value of external debt (current US\$) is \$326.720.749.260<sup>8</sup>, 18.8% of the GNI (2008) (CIA World FactBook 2012).

A threat in the Brazilian economy is the increasing inflation rate. Inflation rate in 2010 was 5%, an increase of 4.9 percent from the 2009 rate; and it is expected to continue to grow in the future. Still, the government is resorting to economic tools to control inflation rate, like raising interest rate.

Additional economic indicators, from **The World Bank Data** (The World Bank 2012):

GNI per capita (US\$): 9,390.00

GNI per capita growth (annual %): 6.4%

GNI per capita, PPP (current international \$): 11,000

GDP per capita (current US\$): \$10,710 (2010)

GDP growth rate (annual %): 7.5% (2010)

Inflation, consumer prices (annual %): 5%

Inflation, GDP deflator (annual %): 7.3% (2010)

Real interest rate (%):30.4% (2010)

Present value of external debt (current US\$): \$326,720,749,260

Foreign direct investment, net inflows (% of GDP): 2.3%

Current account balance (% of GDP): -2.3%

Cash surplus/deficit (% of GDP): -3.5%

Gross fixed capital formation (% of GDP): 18% (2010)

### **Social:**

In 2012, Brazil had 8.55 million km of area it has 194.946.470 habitants (The World Bank 2012); the economic center is São Paulo- the largest city- with 20.262.493 habitants (The World Bank 2012), while the capital Brasilia has only 2.570.160 habitants (The World Bank 2012).

The World Bank considers that Brazil is an upper middle income country (CIA World FactBook 2012). Nevertheless, this does not mean that the entire population is from a higher-status in the middle class. The concentration index of Brazil is very high, 10% of the population own 43% of the countries' wealth in 2009 (The World Bank 2012). Also expressing an unequal society is the GINI Index, which is around 55%<sup>15</sup> (The World Bank 2012), revealing still a big road ahead to fight for, with Brazil being one of the most uneven countries of the world. This translates into big disparities among the different zones of the country, the Southern and Southeastern region are considered to be more industrialized, in contrast with the northern and the northeastern regions that are less developed. Brazil is trying to tackle this serious social issue (and it has been seeing progresses in the past years), along with other severe ones, like corruption and criminality, and health problems-AIDS.

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<sup>15</sup> 54.7% in 2009

Regarding more cultural facts, the population is Roman Catholic, with several other small groups of religions spread all over the country. Generally the population likes to go to cultural events, and music is their way of art most appreciated.

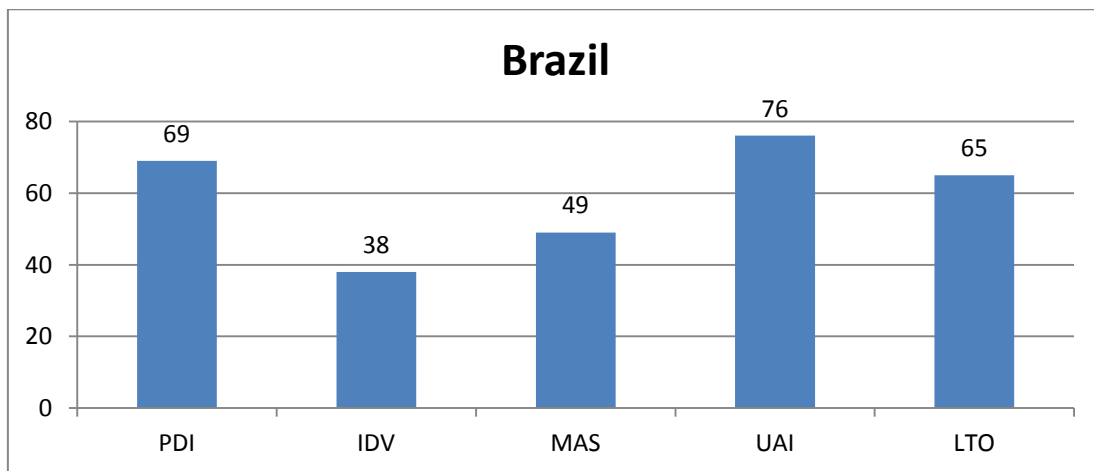
### **Technological**

Technologically speaking, Brazil is ahead its Latin America neighbors, being one of the most developed countries in this matter. Science is another field in which Brazil developed a lot of efforts and is now a leader. Cooperation and synergies are always looked for by the government and private entities. Once the government seeks for evolution in this field, because it contributes a great deal to the economy and several industries, it is very supportive to who is interested. Partnerships with universities, academic researchers, are explored and their value is appreciated.

Concerning industrialization, Brazil started its evolution process rather late, since the 50's, but has been regaining power and strength and is one of the countries in the world with the fastest growing rate. Technological Research is an advanced subject to this country and it is mostly done by government funds and sources. Some private institutes do it too, always with the participation of the government. In the IT market the Brazilians have been devoting a lot of time and resources, as Brazil is one of the biggest markets in Latin America.

## Appendix 10

**Table IV:** Hofstede cultural rank of Brazil



Source: (GEERT HOFSTEDE 2012)

The website *GEERT HOFSTEDE* describes Brazil, according to the Hofstede cultural rank in the following way:

### “Power distance

At a score of 69 Brazil reflects a society that believes hierarchy should be respected and inequalities amongst people are acceptable. The different distribution of power justifies the fact that power holders have more benefits than the less powerful in society. In Brazil it is important to show respect to the elderly (and children take care for their elderly parents). In companies there is one boss who takes complete responsibility. Status symbols of power are very important in order to indicate social position and “communicate” the respect that could be shown.

### Individualism

Brazil has a score of 38 which means that in this country people from birth onwards are integrated into strong, cohesive groups (especially represented by the extended family; including uncles, aunts, grandparents and cousins) which continues protecting its members in exchange for loyalty. This is an important aspect in the working

environment too, where for instance an older and powerful member of a family is expected to “help” a younger nephew to be hired for a job in his own company. In business it is important to build up trustworthy and long lasting relationships: a meeting usually starts with general conversations in order to get to know each other before doing business. The preferred communication style is context-rich, so people will often speak profusely and write in an elaborate fashion.

### Masculinity / Femininity

Brazil scores 49 on this dimension, really in the middle. The softer aspects of culture such as leveling with others, consensus, and sympathy for the underdog are valued and encouraged. Conflicts are avoided in private and work life and consensus at the end is important. Status is shown, but this comes more out of the high PDI.

### Uncertainty avoidance

At 76 Brazil scores high on UAI – and so do the majority of Latin American countries. These societies show a strong need for rules and elaborate legal systems in order to structure life. The individual’s need to obey these laws, however, is weak. If rules however cannot be kept, additional rules are dictated. In Brazil, as in all high Uncertainty Avoidance societies, bureaucracy, laws and rules are very important to make the world a safer place to live in. Brazilians need to have good and relaxing moments in their everyday life, chatting with colleagues, enjoying a long meal or dancing with guests and friends. Due to their high score in this dimension Brazilians are very passionate and demonstrative people: emotions are easily shown in their body language.

### Long term orientation

At 65 Brazil places itself amongst the long term oriented societies as the only non-Asian society. The "jetinho brasileiro" is really to look for alternatives to do what in Western eyes could be regarded as impossible. Like Asians the Brazilians accept more than one truth. Brazilians easily accept change as a part of life.”

Source: (GEERT HOFSTEDE 2012)

#### **Appendix 11: Doing business in BRAZIL from AICEP:**

- Before completing negotiations, ensure that the company and its representatives are trustworthy and ask for the legal company ID (ask for CNPJ -*Cadastro Nacional de Pessoas Jurídicas*- or CPF - *Cadastro de Pessoa Física*)
  - Companies that supply corporate information: Serasa – [www.serasa.com.br](http://www.serasa.com.br);  
Equifax – [www.equifax.com.br](http://www.equifax.com.br)
- In negotiations, computations and financial offers must be done in US Dollars or Real, Euro can be used but it is not so usual.
- Whenever possible, try to formalize in a clear way the business’s conditions and if needed resort to legal advice.
- During negotiations it is possible to face the situation of having to deal with either “illegal ways” of payment or “non-official”. It is extremely important to consider this previously and to know how to avoid or overcome them.
- In the first contacts, it is usual to present a dossier with information about the company and how negotiations usually happen, and if suitable the reference prices.
- Due to traffic (or even due to the Brazilian culture) small delays are acceptable, nevertheless it is mandatory to warn and if possible with time ahead.
- Avoid scheduling meeting in Friday’s afternoon, eve holidays or in the period of carnival. Additionally, if it intended to visit Brazil on summer or period of Carnival

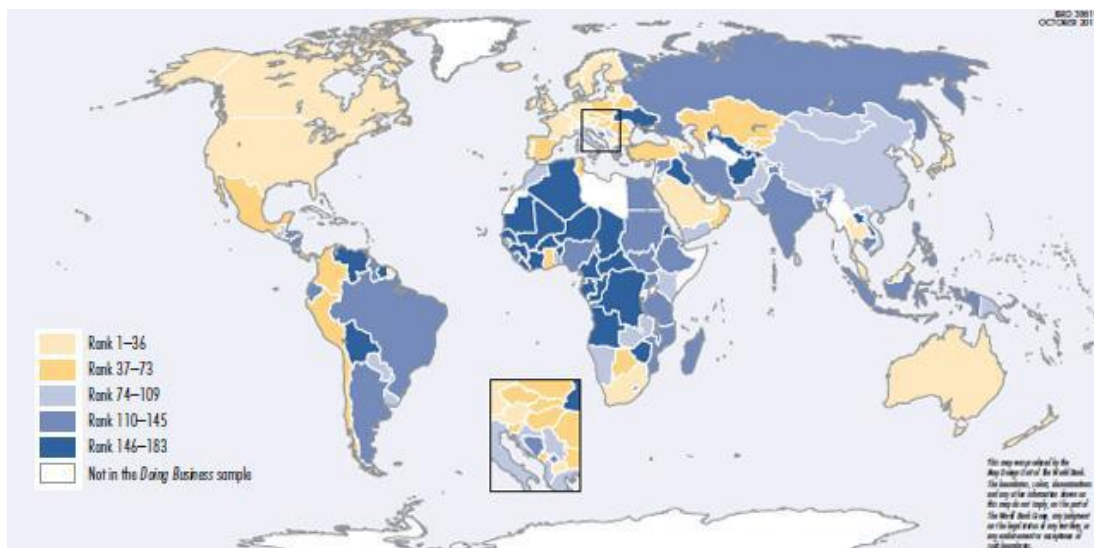
be sure to schedule it properly and with time, (for example, hotels can be booked 1 to 2 months before).

- After a few number of contacts a certain level of intimacy is achieved and treatments of “Dr.”, “Architect” and “Engineer” for example are not necessary anymore. The exchange of business cards in the first meeting is traditional.

Source: (AICEP Portugal global November 2010)

## Appendix 12

**Figure II:** How economies rank in the paper *Doing Business*



Source: (The World Bank, International Finance Corporation 2012)

## Appendix 13: Timeline of the Implementation Plan



1 <sup>st</sup> Year	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1						
Define objectives/ team																														
Contacts																														
Analyze market/ partners																														
Choose a partner – <b>Start Partnership</b>																														
Train PT team																														
Define the strategy																														
Find costumers																														
Establish an office																														
Find secretary																														
Arrange accommodations																														
Send PT team to Brazil																														
Give training																														
<b>Start project</b>																														

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